



Town of Wayland Massachusetts

Finance Committee

Jonathan Barnett
Abner Bruno
Steve Correia (co-Chair)
Michael Hoyle
Kelly Lappin (Vice Chair)
Brian O'Herlihy
Pamela Roman (co-Chair)

REVISED

Previous Agenda Posted on 2/9/23 at 12:20pm

FINANCE COMMITTEE

Monday, February 13, 2023, 7:00

Hybrid

Select Board Meeting Room, Wayland Town Building

41 Cochituate Rd, Wayland, MA

One may watch or may participate remotely with the meeting link that can be found at <https://www.wayland.ma.us/public-body-meeting-information-virtual-inperson-and-hybrid> .

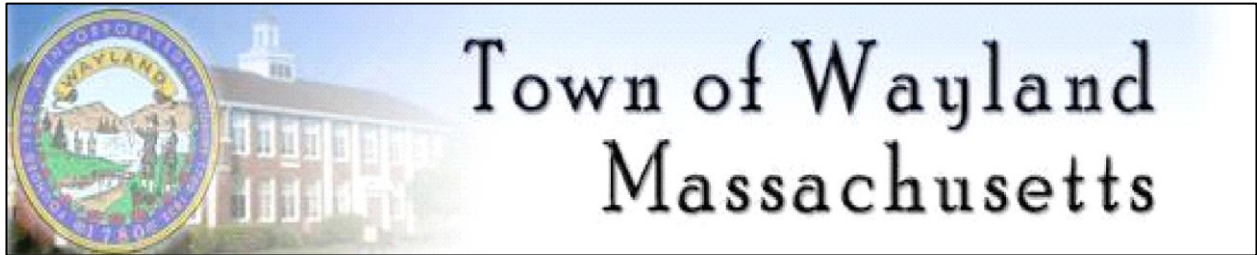
Pursuant to Chapter 107 of the Acts of 2022, this meeting will be conducted in person and via remote means, in accordance with applicable law. This meeting may be recorded and will be made available to the public on WayCAM as soon after the meeting as is practicable.

When required by law or allowed by the Chairs, persons wishing to provide public comment or otherwise participate in the meeting, may do so by in person attendance, or by accessing the meeting remotely, as noted above. We request public comment be limited to two minutes per person.

- 7:00pm Call to Order /Review Agenda for Public/Announcements
- 7:03pm Public Comment and Members' Response
- 7:10pm Vote to approve Minutes of 1/30/23 and 2/06/23, if available
- 7:20pm Update on the Select Board's discussion on the Finance Committee's memo **(of Jan 26, 2023)** relating to potential revenue opportunities that could impact the budget process **(Annotated Memo attached below)**

- 7:30pm Continued Discussion of the Proposed FY24 Operating Budget. Discussion points may include:
- Review any further Information related to the submitted Town and Schools budgets
 - Review any new Information on the Unclassified budget
 - Discussion and Possible Vote on a Total Operating Budget as submitted or adjusted
- 9:00pm Topics Not Reasonably Anticipated by the Chairs 48 Hours Prior to Posting, if any and Setting Time of Next Meeting
- 9:05pm Approximate Time of Adjourning

ANNOTATED FOLLOWING 2/6/23 SELECT BOARD MEETING



Finance Committee

Jonathan Barnett
Abner Bruno
Steve Correia (Co-Chair)
Michael Hoyle
Kelly Lappin (Vice Chair)
Brian O’Herlihy
Pamela Roman (Co-Chair)

MEMORANDUM

To: John Bugbee, Acting Town Manager
Cc: Select Board Members; Brian Keveny, Finance Director
From: Finance Committee
Date: January 26, 2023

Re: Proposed Town of Wayland Omnibus Budget for the Fiscal Year Ending June 30, 2024 (“FY24 Omnibus Budget”)

At its meeting last evening, the Finance Committee (FC) continued its review of your proposed FY 24 Omnibus Budget.

While most of our discussion was centered on various School-related expenses and programs, e.g., special education (SPED), The Children’s Way and full-day kindergarten, we also discussed potential funding sources, other than those shown in your proposed Omnibus Budget, that might be used to soften the taxpayer burden from the large increases in debt service and SPED related costs and the substantial cost-of-living “salary reserve” proposed in anticipation of the ongoing collective bargaining agreement negotiations.

The following is a summary of the potential funding sources that FC would like you to consider and, where necessary, discuss with the Select Board, at your earliest

convenience, in order to gain their approval and/or support for using the proposed funding sources to reduce the amount of funding required by taxation.

Potential Funding Sources

- Proceeds from the sale of former septage facility land to developers of River's Edge (Oxbow) apartment project;
- Proceeds from the developer of Town Center project, i.e., the "gift fund";
- Proceeds from a sale of 212 Cochituate Road property;
- Excess bond proceeds from the 2020 bond financing originally intended for the Potter/Stonebridge Road bridge reconstruction; and
- Increased investment earnings on the 2022 bond financing proceeds.

Discussion

1. River's Edge (Oxbow) land parcel sale proceeds:

We were pleased to see that the Select Board had submitted an article for the 2023 ATM, i.e., Article DD, that would appropriate \$524,722 from the "Receipts Reserved for Sale of Real Estate" account to pay for the borrowing associated with the removal and related costs of removal of asbestos containing material and associated soil on Town-owned land on Boston Post Road, i.e., the River's Edge (Oxbow) land parcel. This was one of the additional sources of funds identified by the FinCom.

To the extent there are sale proceeds in excess of the amount noted above, we request a discussion with the Select Board about the potential use of part or all of those additional funds in connection with the FY24 Omnibus Budget. We note that a February 2021 press release indicates the net sale proceeds were approximately \$1.8 million, although some portion of those funds may already have been earmarked for other expenses related to the project.

In addition, we would suggest that the funding noted above, and any additional funds made available from this funding source, be included in the motion under the FY24 Omnibus Budget article, i.e., Article N, so that a separate article for this appropriation would be unnecessary.

Finance Director comments at 2/6/23 Select Board meeting:

B. Keveny advised that the use of proceeds from the sale or other disposal of municipal real estate could not be used to fund the Omnibus Budget.¹ He noted that such funds could only be used for any purpose for which the Town is authorized to incur debt for a period of five (5) years or more.

BTO follow up questions:

Chapter 44, Section 63, Sale or Other Disposal of Realty; Disposition of Proceeds was amended on December 13, 2021 to include the use of proceeds

¹ No distinction was made between use in the Operating Budget versus the Capital Budget.

*subject to this section for "... the payment of indebtedness incurred under [Chapter 44] Section 7 to ... construct or enlarge buildings, including the cost of original equipment and furnishings of the buildings or enlargements ..."*²

Questions:

- a. Can the excess proceeds from the sale of the former septage facility land noted above be used to pay a portion of the debt service on the November 2022 bond financing that related to the construction, equipping and furnishing of the CoA/Community Center project?*
- b. If so, would it make sense to use such proceeds to reduce the FY24 debt service only or spread the use over a few years?*
- c. Could such proceeds be used for funding debt service on other projects, e.g., the High School.*

2. Town Center "gift fund" proceeds:

Based on a January 2022 press release, it is our understanding that there may be approximately \$1 million in "gift funds" held for general municipal purposes. We would like you to consider seeking the Select Board's approval and/or support for using part or all of these funds in connection with the FY24 Omnibus Budget.

As you know, a significant portion of the increase in debt service for FY24 relates to the bonds issued to cover the cost of constructing the CoA/Community Center at Town Center. It seems prudent to use part or all of the remaining "gift funds" to offset the impact of this increase in debt service (which hits inordinately in the year after borrowing, FY24) on the Town's taxpayers.

Finance Director comments at 2/6/23 Select Board meeting:

B. Keveny noted that these funds were under the control of the Select Board. While he indicated that there was no statutory restriction on the use of such funds, including the use in connection with the FY24 Omnibus Budget, he advised against doing so.

T. Fay raised the possibility of setting aside \$500,000 of the remaining "gift funds" to function as a financial backstop for overruns, if any, associated with the upcoming construction of the CoA/Community Center project in lieu of seeking authorization from Town Meeting for an additional up to \$1.6 million noted in Article EE.³

² Copy of MGL Chapter 44, Section 63, as amended, attached hereto.

³ The Select Board agreed to discuss at a future meeting.

3. 212 Cochituate Road sale proceeds:

We understand that the Select Board has discussed the potential sale or reuse of this property over the past couple of years. We believe the sale of this property at this time could provide approximately \$1 million of net sale proceeds that could be used in connection with the FY24 Omnibus Budget. In addition, it would eliminate the cost of having the Town demolish the existing house located on the site and likely would add two new homes to the tax rolls.

It is our understanding that the Town's Treasurer has the authority, upon direction by the Select Board, to auction the property on an "as is where is" basis without needing any further authorization from Town Meeting⁴. If the Select Board were to authorize the auction, it is likely the sale could be consummated within a matter of months.

Finance Director comments at 2/6/23 Select Board meeting:

B. Keveny advised that the use of proceeds from the sale or other disposal of municipal real estate could not be used to fund the Omnibus Budget.⁵

J. Bugbee also noted it would take some time to sell the property and, therefore, even if these proceeds could be used, they would not be available in the foreseeable future.

BTO follow up questions:

Chapter 44, Section 63, Sale or Other Disposal of Realty; Disposition of Proceeds provides an exception for property acquired through tax title foreclosure.⁶

Questions:

- a. Can we seek confirmation from KP Law that the exception noted above would apply to proceeds received from the auction of the 212 Cochituate Road property (prior to its transfer to the control of the Select Board for general municipal purposes – which has not yet occurred)?*

If the Treasurer were instructed by the Select Board to auction the property, as noted above, I believe the auction could be completed in two to three months.

4. Excess bond proceeds re: Potter/Stonebridge Road bridge:

In November 2020, the Town issued bonds, a portion of which was allocated to fund the Town's share of the cost to renovate this bridge. As you know, at a

⁴ This understanding is based on one of our member's prior involvement with this property while serving on the Municipal Affordable Housing Trust Fund, including discussions with a former Town Treasurer. It should be noted that this FinCom member, who has previously advocated for using this land parcel for affordable housing, is supportive of this request based on changing circumstances

⁵ See discussion above.

⁶ See FN 2.

recent Town Meeting the Town's authority to proceed with this project was rescinded and, therefore, the \$450,000 of allocated bond proceeds have become "excess proceeds" which we believe can be appropriated for "any purpose for which a loan may be incurred for an equal or longer period of time that that for the original loan."⁷

We would like to use these excess bond proceeds in connection with the FY24 Omnibus Budget, e.g., use these funds in lieu of free cash to pay for a portion of the previously approved FY24 capital expenditures and use the free cash that is freed up to fund the OPEB contribution instead of using taxation as is currently contemplated in the proposed budget.

Finance Director comments at 2/6/23 Select Board meeting:

B. Keveny noted that he and J. Bugbee have identified these funds, together with another \$500,000 or so of capital project "close outs", that can be used to fund the capital budget, including the elimination of the approximately \$650,000 of cash capital funding shown in the Acting Town Manager's capital budget previously approved by the FinCom.

He advised against using free cash to fund the OPEB contribution, even if excess free cash was freed up by using other sources of funds in the Omnibus Budget, unless we were prepared to do so over a number of years, e.g., three to five years.

5. Increased investment earnings:

As you know, the Town issued \$20,255,000 of bonds in November 2022. It is our understanding that a substantial portion of the bond proceeds are currently invested in an interest-bearing account that is currently paying approximately 1.5%. If these funds were invested in short-term Treasury bills, i.e., less than one-year maturity, the investment rate would increase to approximately 4.5% with minimal risk of the loss of principal. Moving these funds into Treasury bills could generate \$300,000 to \$500,000 of additional investment earnings over the next twelve months which could be used in connection with the FY24 Omnibus Budget or at least generate more income for use by the Town.

It is our understanding that the Town's Treasurer now reports to the Finance Director and, in any event, is under your control. We would urge you to discuss this investment possibility with the Finance Director and Treasurer as soon as possible while short-term rates remain at elevated levels and the bond proceeds are not needed for funding actual expenses, e.g., the CoA/Community Center.

Finance Director comments at 2/6/23 Select Board meeting:

B. Keveny stated that pursuit of this strategy would result in the potential delay in completing the construction of the CoA/Community Center project since the

⁷ M.G.L. Chapter 44, Section 20 (as amended effective December 13, 2021).

funds would be tied up in longer term investments. Therefore, he advised against doing so.

He also noted that the DOR limited the amount of Local Receipts that could be included in the Tax Recap used to determine the amount of taxation and, therefore, it's possible that any additional interest income ultimately might not reduce the amount of taxation.

BTO follow up comment:

The FinCom was not suggesting investing these funds in a long-term investment. Rather, the suggestion noted above was investing in short-term Treasury bills with maturities less than one-year.

As noted in the attached summary of Treasury bill yields as of this morning, one-month and three-month Treasury bills are yielding 4.56% and 4.70%, respectively, which is far in excess of the 1.5% currently being earned on these funds.

If we took the most conservative position and invested these funds only in one-month Treasury bills which could be rolled over each month, after setting aside funds anticipated for construction related costs to be incurred in the following month, we could earn significant additional interest.

As to the Local Receipts limitation noted above, even if we were limited, it seems to me earning more interest that gets added to Free Cash in the General Fund is a prudent thing to do and would increase the amount of Free Cash available for use in future years.

I think we should have J. Bugbee and B. Keveny join us for a follow up discussion on this item sooner than later as we've already lost a fair amount of additional investment income.

Conclusion

We are continuing our review of your FY24 Omnibus Budget and anticipate concluding that review in the coming weeks. While we will continue to evaluate the expense proposals contained in your budget, we would encourage you to discuss our funding proposals with the Select Board, Finance Director and Treasurer at your earliest convenience.

If you think it would be helpful to those discussions, a representative of the Finance Committee would be happy to attend an upcoming meeting with the Select Board or any meeting(s) you might schedule with the Finance Director and/or Treasurer.

We thank you for your and the Finance Director's efforts in producing a budget for our review and look forward in working with you to present a fiscally responsible budget to Town Meeting this spring.

Referenced Attachments:

General Law: chrome-

extension://oemmndcbldboiebfnladdacbfdmadadm/file:///C:/Users/44aug/Downloads/General%20Law%20-%20Part%20I,%20Title%20VII,%20Chapter%2044,%20Section%2063%20pdf.pdf

US T-Bill Rates: chrome-

extension://oemmndcbldboiebfnladdacbfdmadadm/file:///C:/Users/44aug/Downloads/US%20Tbill%20rates%202.8.23.pdf